

City of Biggs

City Administrator agenda item request for the next
(X) Regular () Adjourned Regular () Special Meeting/*

Meeting Date: December 19, 2011 6:00PM

Date: December 13, 2011
To: Honorable Mayor and Members of the City Council
From: City Administrator
Subject: Staff Report: Rate Increase for Solid Waste Hauling and Disposal Contract (Action)

Council is asked to acknowledge a contract service rate increase based on CPI (Consumer Price Index) and fuel costs, per established agreement with contractor, and to direct staff as to adjustment for City rate.

Background:

Attached documents support a 6.0% adjustment to the solid waste contract service effective January 1, 2012. This represents an increase of 96¢ per month for basic residential service, from \$20.04 to \$21.24, if the entire 6% is applied to retail rates.

The city's five-year agreement with Waste Management is effective through 2016. Section Seven of the Agreement provides for specified annual rate adjustments and the method for calculating the adjustments. The current 6.0% increase is comprised of 3.17% for CPI (automatic adjustment), 2.51% to cover increased fuel costs (contingent upon demonstration of actual cost increase), and 0.04 cents/month/customer for increased landfill rates.

Rates were not adjusted by Waste Management in 2011, after decreasing in 2010 by \$0.07 (CPI and landfill increases were offset by fuel cost decrease). Service was expanded in 2011 to include annual transfer station coupons (or optional "bag & tag") and optional extra yard waste and recycling carts at no extra charge.

The Solid Waste Fund carries an approximate \$25,000 reserve that is slowly building; revenues of \$147,000 are consumed by \$144,000 in expenses including contract charges, admin, and contributions to the street repair reserve. We forecasted and budgeted for a 2.6% increase to be effective midway through the fiscal year.

Attachment (1): Waste Management cost calculation, pages 1-5.

Options:

- A. Pass thru entire 6% increase to customers. The additional rate increase will slightly more than fully match the additional contract expense, keeping the City whole and maintaining the increasing fund reserve.
- B. Absorb the entire 6% increase, which will erase the budgeted surplus this year and constrain the ability of this fund to contribute to the street repair reserve.
- C. Pass thru the contract service rate change but maintain the city overhead portion of the retail rate, as City costs are more controllable. City overhead is 19% of the retail rate. The resulting rate impact on customers would be 4.9%. The basic residential monthly service fee would be \$21.02.

The rate change can be made at once as of January 1, or incrementally (i.e., +3% January 1 and +3% July 1).

Past practice has been for the City to pass thru the entire contract rate adjustment as a corresponding customer service rate adjustment, all as of January 1.

Recommendation:

Acknowledge the rate adjustment to the City for solid waste disposal contract service, and approve Option C 4.9% adjustment to customer billing rates.

Economic Impact

Depends on rate change determined. Pass-thru of 5% would be approximately neutral to the City; 100% absorption would increase budgeted expenses \$6900 in 2011, \$1950 this fiscal year. 2.6% increase would equal budget but be out of alignment with contract service and retail costs.



North Valley Disposal
Waste Management
2569 Scott Ave.
Chico, California 95928

November 30, 2010

Mr. Pete Carr
City Administrator
City of Biggs
3016 Sixth St.
Biggs, CA 95917

Dear Mr. Carr:

Attached is our rate review in accordance with Sections 7.2, 7.3 and 7.5 of our franchise agreement with the City of Biggs. These sections address rate increases or decreases based on the Consumer Price Index, fuel and the unforeseen extraordinary impact of landfill increases.

The CPI rate increase of 3.17% has been calculated using the All Urban Consumers – for the San Francisco Metropolitan Area. The franchise contract fuel index was used to calculate a 2.51% fuel increase to the base rate. Since the last rate adjustment, Butte County also increased the landfill rates by \$0.61 per ton, which results in a \$0.04 per month increase to the base rate. The net result of the CPI, fuel and landfill adjustments result in an overall 6% increase or \$0.96 per month to the monthly residential base rate.

I have attached the calculation of the new rates and the support information. If you have any questions, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read 'Matt Fryer', with a long horizontal line extending to the right.

Matt Fryer
District Manager

Service	Current Rate	2012	2012	Disposal	New EOW Rate	\$ Change	% Change
		3.17%	2.53%	Inc. \$ 0.04			
		CPI Adj	Fuel Adj	Disposal Inc.			
Basic	\$ 16.01	\$ 0.51	\$ 0.41	\$ 0.04	\$ 16.97	\$ 0.96	6.00%
In addition to Basic:							
64g in lieu of 35 g	\$ 5.32	\$ 0.17	\$ 0.13	\$ -	\$ 5.62	\$ 0.30	6.00%
96g in lieu of 35 g	\$ 10.24	\$ 0.32	\$ 0.26	\$ -	\$ 10.82	\$ 0.58	6.00%

NORTH VALLEY DISPOSAL
CITY OF BIGGS
CPI % CALCULATION 2012

Index Point Change	
Current Year CPI	235.331
Minus Prior Year CPI	228.107
Equals Index Point Change	<u>7.224</u>
Percent Change	
Index Point Change	7.224
Divided by Prior Year CPI	3.17%
100% of CPI	3.17%

Consumer Price Index - All Urban Consumers

Series Id: CUURA422SA0
Not Seasonally Adjusted
Area: San Francisco-Oakland-San Jose, CA
Item: All items
Base Period: 1982-84=100

Download:



Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALF1	HALF2
2001			187.9	189.1		190.9		191		191.7		190.6	189.9	188.7	191.1
2002			191.3	193		193.2		193.5		194.3		193.2	193	192.3	193.7
2003			197.7	197.3		196.3		196.3		196.3		195.3	196.4	196.8	196.1
2004			198.1	198.3		199		198.7		200.3		199.5	198.8	198.2	199.5
2005			201.2	202.5		201.2		203		205.9		203.4	202.7	201.5	203.9
2006			207.1	208.9		209.1		210.7		211		210.4	209.2	207.9	210.6
2007			213.688	215.842		216.123		216.24		217.949		218.485	216.048	214.736	217.361

**NORTH VALLEY DISPOSAL
CITY OF BIGGS
FUEL INCREASE CALCULATION 2012**

Contract Formula: $[(\text{Fuel Cost Change} - \text{CPI Change}) \times \text{Fuel Percentage}]$

Fuel % Increase 2.53% (c-e) X h

Fuel Cost Change

Average 11/10-10/11	3.96 a
Average 11/09-10/10	3.09 b
Fuel Cost Change	128.2% c=a/b

CPI Change

Average 11/10-10/11	232.5575 c
Average 11/09-10/10	227.042 d
CPI Change	102.43% e=c/d

Fuel Percentage

Diesel expense 11/10-10/11	\$	15,457.76 f
Operating Revenue 11/10-10/11	\$	157,234.00 g
Fuel Percentage		9.83% h=f/g

Sourcekey **Data 2: M Diesel Prices - All Types**
DDR007

California No 2 Diesel Retail Sales by All Sellers (Cents per Gallon)		
Date		
Nov-2009	2.962	
Dec-2009	2.913	
Jan-2010	2.997	
Feb-2010	2.938	
Mar-2010	3.058	
Apr-2010	3.206	
May-2010	3.205	
Jun-2010	3.102	
Jul-2010	3.124	
Aug-2010	3.164	
Sep-2010	3.144	
Oct-2010	3.214	3.085583333
Nov-2010	3.305	
Dec-2010	3.408	
Jan-2011	3.56	
Feb-2011	3.804	
Mar-2011	4.187	
Apr-2011	4.4	
May-2011	4.362	
Jun-2011	4.213	
Jul-2011	4.106	
Aug-2011	4.009	
Sep-2011	4.057	
Oct-2011	4.059	3.955833333

**NORTH VALLEY DISPOSAL
RESIDENTIAL DRIVER HOURS AND TONS
NOVEMBER 1, 2010 - OCTOBER 31, 2011**

<u>BIGGS</u>		Tons	\$	37.00	\$	37.61	Add'l Cost	# Customers	Add'l Yearly Cost per Customer	Add'l Monthly Cost per customer
	Resi SL	453.10	\$	16,764.70		17,041.09	\$ 276.39	591	\$ 0.47	\$ 0.04

<u>BIGGS</u>	Driver Hours
Resi SL	450.00
Resi Recy	127.60
Resi YW	224.00
Total	1,254.70

<u>TOTAL</u>	Driver Hours
Resi FL	3,948.70
Resi RL	5,734.60
Resi SL	20,896.90
Resi Recy	13,058.70
Resi YW	6,427.80
Total	50,066.70

BIGGS % 2.51%

TOTAL BU RESI FUEL \$ 616,816.00

BIGGS RESI FUEL \$ 15,457.76

Financial Information - Residential	
YTD through 12/31/2010	\$ 489,602
Less YTD 10/31/2010	\$ (397,076)
Plus YTD 10/31/2011	\$ 524,290
	<u>\$ 616,816</u>